

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 EPG-02 SP-02 STR-04 TRSE-00 FRB-03

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC 1031

INFO SECAGRICULTURE WASHDC

USMISSION GENEVA

LIMITED OFFICIAL USE MADRID 5346

E.O. 11652: N/A

TAGS: ETRD EAGR SP

SUBJECT: DECREE LIMITING VEGETABLE OIL CONSUMPTION FROM IMPORTED
OILSEEDS (SOYBEANS)

REF: AGATT REPORTS TO USDA SP7005, SP7008, SP7015, MADRID

TELEGRAM 1842, OUR JUNE 17 AIRCOMM TO USDA AND

STATE TELEGRAM 161293

1. SOME CRUSHER CONTACTS BELIEVE 170,000 TON LIMITATION
ON DOMESTIC CONSUMPTION OF SOY OIL FOR CY77 WILL BE
MAINTAINED DESPITE SOME RELIEF FROM OLIVE OIL PRESSURE.
EXPORTS OF SPANISH OLIVE OIL THIS YEAR RUNNING ABOUT
65 PERCENT OVER LAST YEAR AND WITH RECENT DEVALUATION
SHOULD DO EVEN BETTER. THESE INCREASED EXPORTS PLUS
THE DEVALUATION WILL UNDOUBTEDLY CAUSE SOME UPWARD
PRICE PRESSURE ON DOMESTIC OILS. INFLATION CONTINUES
TO BE PRINCIPAL PROBLEM FOR NEW GOVERNMENT AND THEREFORE
OTHER CRUSHER CONTACTS SPECULATE THAT GOS MAY BE INCLINED
TO RAISE THE 170,000 TON CEILING TO PLACE LARGER SUPPLIES
OF INEXPENSIVE OIL, I.E. SOY OIL, ON DOMESTIC MARKET.

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2. SUNFLOWER AND SAFFLOWER OIL PRODUCTION WILL BE DOWN
THIS YEAR. ALSO RUMORS EXIST THAT GOS MAY PERMIT IMPOR-
TATION OF SOME SUNFLOWER SEED OIL TO OFFSET DROP IN
PRODUCTION, BUT THIS WOULD SPEND VALUABLE FOREIGN
EXCHANGE WHEREAS SOY OIL IS AVAILABLE DOMESTICALLY.
THERE ARE ALSO RUMORS THAT GOS MAY TAKE OFF DOMESTIC
SUBSIDY ON SOY OIL AND IF SO RESULTING RISE IN PRICE

MIGHT MAKE 85,000 TON FIGURE FOR THE LAST SIX MONTHS
OF THIS YEAR DIFFICULT TO ACHIEVE.

3. THE SITUATION IS EXTREMELY CONFUSED WITH NO ONE KNOWING
WHAT THE NEW GOVERNMENT INTENDS TO DO. WITHIN THE NEW
GOVERNMENT, THERE ARE MANY CHANGES IN TOP ADMINISTRATION
IN CONCERNED MINISTRIES. WHEN APPROPRIATE GOS OFFICIALS
ARE ASCERTAINED WE WILL DISCUSS MATTER. IT IS OF INTEREST
TO NOTE THAT THE NEW MINISTER OF AGRICULTURE, JOSE ENRIQUE
MARTINEZ GENIQUE, IS THE FORMER PRESIDENT OF FORPPA, THE
GOVERNMENT AGENCY WHICH ESTABLISHED THE 170,000 TON LIMIT.

4. WE DO NOT UNDERSTAND COMMENT IN STATE 161293 IMPLEMENTATION.
IN NUMEROUS COMMUNICATIONS WE HAVE REPORTED THAT GOS HAS
PUBLISHED RESOLUTION SETTING FORTH REGULATIONS GOVERNING
INTERNAL MARKETING OF SOY OIL AND THAT CEILING OF
170,000 TONS WAS SET. INDEED AGATT REPORT SP7005
MENTIONS ROYAL DECREE 3076/1976 OF DECEMBER 23, 1976
AND THIS LIMITATION. THIS DECREE CONSTITUTES OFFICIAL
ADOPTION. GOS LIMITED PURCHASE CONTRACTS OF SOY OIL
FOR FIRST SIX MONTHS 1977 TO 85,000 M.T. (REF: 3/10/77
MADRID 1842) AND NOW HAS DONE SO FOR SECOND SIX MONTHS. STABLER

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